Financial Highlights

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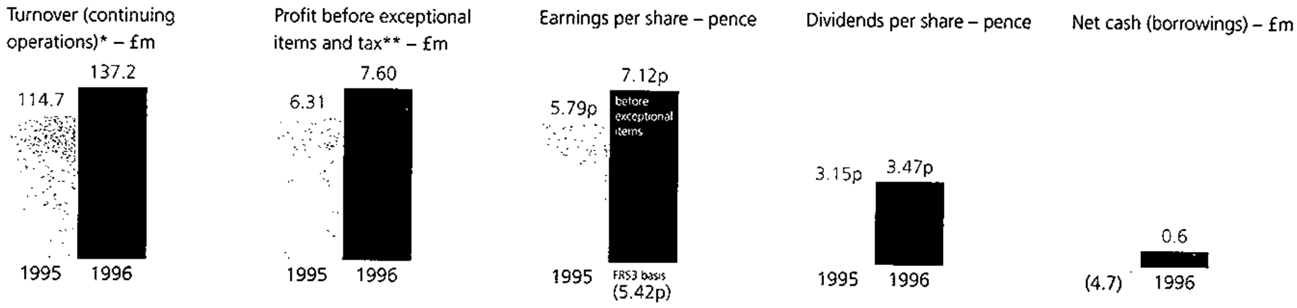


* Including share of associate

** After interest

1996

1995

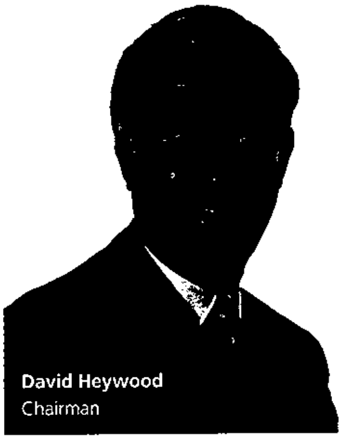
	1996 £m	1995 £m
Turnover – continuing operations including share of associate	**137.2**	114.7
Profit before exceptional items and tax**	**7.60**	6.31
Earnings per share – FRS3 basis	**(5.42p)**	5.79p
– before exceptional items†	**7.12p**	5.79p
Dividends per share	**3.47p**	3.15p
Net cash (borrowings)	**0.6**	(4.7)

** After interest

† The exceptional items relate to the sale of the UK non-healthcare businesses in May 1996

- UK Healthcare produced an operating profit advance of 19%, supported by good activity growth from BNA which resulted in a revenue increase of 19% and further strong profit growth.
- USA Healthcare generated a 26% increase in profit, and strengthened its position through the merger of MRA with Cross Country Staffing, the market leader, in July 1996.
- The non-healthcare businesses were sold in May 1996.
- The Group's financial position strengthened further.
- Dividend increase of 10%.

Chairman's Statement



David Heywood
Chairman

Introduction

I am very pleased to report another year of growth in turnover, profit and operating margins and further strengthening of the Group's financial position.

Our programme of strategic restructuring was completed with the sales of our non-healthcare businesses and the merger of MRA, our USA travel nurse business, with Cross Country Staffing. In July, we acquired Medic International which significantly strengthened and expanded our range of healthcare services in the UK.

Summary of results

In 1996 we increased the Group's pre-tax profit, before exceptional items, by 20% to £7.60 million (1995: £6.31 million) and earnings per share by 23% to 7.12p (1995: 5.79p).

The operating profit from continuing operations, including our share of the profits of the merged USA business, increased by 31% to £7.21 million.

In the UK, our core healthcare businesses produced further good growth with an increase in turnover of 21% and a rise in operating profit of 19% to £7.38 million (1995: £6.20 million). BNA again grew strongly, providing increased numbers of nurses and care assistants to a wide range of clients, gaining further contracts with NHS Trust hospitals and Social Services Departments and improving operating profit margins. Our doctors' duty services experienced increased competitive pressure from co-operative activity, resulting from the provision of Government funding to assist GPs in providing out of hours services. The effect of this was that, although we achieved an increase in revenue of 2%, margins were lower and there was a small reduction in profit.

On 22nd July 1996, we enhanced our UK Healthcare capability with the acquisition of Medic International, a leading provider of a wide range of temporary medical personnel, in particular locum doctors and physiotherapists to NHS Trust hospitals. I am very pleased with the progress that Medic has made since joining the Group and their operating profit of £0.16 million for the period.

In the USA, we merged MRA, our USA Healthcare business, on 1st July 1996, with the market leader, Cross Country Staffing, a W.R. Grace subsidiary. Post merger, the profit contribution from our minority holding in the enlarged operation was 38% higher than the operating profit produced by MRA in the comparable period of 1995. For the year as a whole the profit contributed by our USA Healthcare operation increased by 26% to £1.42 million.

The financial position of the Group also strengthened further this year, improving from net borrowings of £4.74 million at the end of 1995 to a net cash position of £0.60 million at the end of 1996. This was achieved through positive cash flows from operations and a net positive effect of our acquisition and disposal programme.

Staff
Our staff have responded excellently to the challenges which have arisen during the year. On behalf of the Board, I would like to thank them all for their support and their contribution to the achievement of these results. I would also like to take the opportunity to welcome those who have joined the Group this year.

Dividend
Your Board is recommending an increased final dividend of 2.20p per share to be paid on 23rd May 1997 to shareholders registered at close of business on 7th April 1997, making a total dividend for the year of 3.47p per share. This represents an increase of 10% over last year's dividend of 3.15p per share.

Board reorganisation
Following the completion of the restructuring of the Group, the Board was reorganised in July. I became part-time executive Chairman and reporting to me are Justin Jewitt as Managing Director, UK Healthcare, and Clive Chapman, Managing Director, Finance and Corporate Planning.

Justin Jewitt who had been Managing Director of BNA, the Group's main UK Healthcare operation, for the past two years, joined the Board and is responsible for all the Group's UK Healthcare interests.

Clive Chapman, previously Group Finance Director, in addition to his Group finance responsibilities is responsible for corporate planning and the Group's investment in the restructured USA Healthcare operation, Cross Country Staffing.

Michael Rogers, Chief Executive, resigned from the Board on 15th July. Mike has left the Group in a strong position after a time of considerable change and we are grateful for the significant contribution he has made over a long period.

Change of Company name
As a consequence of the major restructuring of the Group and our clear strategic focus on healthcare, the Board is recommending that the name of the Company is changed to Nestor Healthcare Group plc.

Approval for the change will be sought from shareholders at the Annual General Meeting. Details of the resolution dealing with this matter are contained in the notice of the Annual General Meeting to be held on 15th May 1997.

Share option schemes
At the Extraordinary General Meeting held on 3rd October 1996 the shareholders overwhelmingly approved the establishment of two new share option schemes. The schemes, which include stretching performance criteria, were designed to align the interests of the option holders closely with those of the shareholders and I am grateful for your support for their introduction.

Outlook
In the UK, we are particularly well placed to take advantage of the growth opportunities presented in a developing healthcare market, with our extensive national branch network and capability to provide a broad range of healthcare personnel and services. As announced today, we have recently been awarded a number of contracts with NHS Trust hospitals for the management of their internal banks of doctors and nurses and the provision of temporary nursing staff. These contracts are for two or three years and are expected to generate turnover in the first year of operation in excess of £8 million.

In the USA, the market continues to improve and our position within it has been substantially enhanced following the merger with Cross Country.

Overall, the outlook for the Group is very encouraging.

David Heywood *Chairman*
24th March 1997

Operating and Financial Review

Justin Jewitt
Managing Director,
UK Healthcare

Review of Operations

UK Healthcare

UK Healthcare continued to grow strongly in 1996. Revenue increased by 21% and the operating profit by 19% to £7.38 million.

BNA, whose principal activity is the provision of nurses and care assistants to a wide range of clients, expanded its UK coverage further with the addition of nine branches, from 124 to 133 branches, and increased its revenue by 19% to £99.8 million. Sustained growth in activity was achieved with NHS Trust hospitals, as a result of contract gains and increased use by existing hospital clients, and with nursing homes. Contracts gained during the year with Local Authority Social Services Departments for Care in the Community, for example, Hertfordshire and Oxfordshire, are working well and contributed to the increase in activity in this sector. Other services, including the management of hospitals' internal nurse banks, for which we now have 12 contracts, drug and alcohol testing, insurance screening, legal assessments and placing nurses on longer term assignments to help hospitals with their staffing shortages, are also developing well and contributing to the growth of the business.

Our doctors' duty services experienced increased competitive pressure from co-operative activity, particularly in the second half of the year, as a result of the provision by the Government of development funding to assist GPs with out of hours services. The effect has been a change in the form of provision of these services. Although an increase in revenue of 2% was achieved, calls were 9% lower and the change in the form of response to calls, with more telephone advice being given, and the competitive impact of co-operatives meant a reduction in margins and a small reduction in profit for the year.

On 22nd July 1996 we acquired Medic International. Medic provides locum doctors, physiotherapists and other temporary medical personnel through a network of six branches in England, Scotland and Wales. This acquisition has enabled us to provide a broader range of medical personnel within the UK healthcare market, in particular to NHS Trust hospitals, and joint marketing initiatives with BNA to provide doctors and nurses are already proving beneficial. In November 1996 Medic secured its first locum doctors bank contract with the Whittington hospital. In the period from 22nd July to the year end, just over five months, Medic generated revenue of £3.8 million and contributed an operating profit of £0.16 million. The business was acquired for a consideration of £1.00 million, of which £0.40 million was deferred until January 1997, and at the acquisition date there were £0.48 million of borrowings.

USA Healthcare

MRA, the Group's USA travel nurse operation which was based in Fort Lauderdale, Florida, was merged with the market leader, W.R.Grace's subsidiary, Cross Country Staffing on 1st July 1996. Cross Country operates out of Boca Raton, Florida.

The combined business, which was fully integrated soon after the merger, is the largest provider of temporary nurses and rehabilitation professionals to healthcare facilities in the USA. Nestor-BNA's share of the merged business is 34%, after allowing for the expected dilution from the creation of an equity scheme for the management of Cross Country.

Cross Country's revenue for the six month period from 1st July to the year end was $59.2 million and the pre-tax profit attributable to the Group from our investment during that period was $1.24 million. This compares with an operating profit contribution from MRA in the last six months of 1995 of $0.88 million.

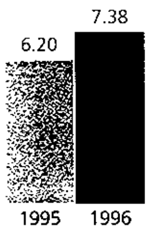
For 1996 as a whole, the profit contribution from our USA Healthcare activities was $2.23 million (£1.42 million) compared with $1.79 million (£1.13 million) in 1995.

The market for travel nurses is becoming increasingly buoyant, with regions which have been depressed for some time, for example California, now recovering well. With our increased capability we are in an excellent position to benefit from this improving market.

Clive Chapman
Managing Director, Finance
and Corporate Planning

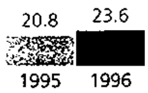
UK Healthcare turnover – £m

UK Healthcare operating profit – £m

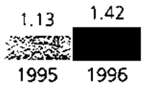


UK Healthcare produced continued growth and an operating profit advance of 19%

USA Healthcare turnover (including share of associate) – £m



USA Healthcare operating profit (including share of associate) – £m



USA Healthcare generated a 26% increase in profit contribution. The merger with Cross Country Staffing has strengthened our position within this market

Financial Review

Turnover

In 1996, Group turnover from continuing operations was £124.6 million, excluding our share of the turnover of Cross Country of £12.6 million, which is not consolidated into the Group figure. The turnover from continuing operations in 1995, including a full year from MRA, was £114.7 million.

Profit before tax

The operating profit from continuing UK Healthcare operations, plus our share of the pre-tax profits of Cross Country, was £7.21 million. This compares with the operating profit from our UK and USA Healthcare operations in 1995 of £5.51 million, an increase of 31%.

Our non-healthcare UK Specialist Personnel businesses, which were sold in May 1996, recorded a lower profit contribution prior to their sales, but the consideration received from the sales helped to produce a net interest credit for the year of £0.06 million compared with a net interest charge of £0.36 million in 1995.

Group management and central costs reduced this year from £1.82 million to £1.59 million, including £0.25 million net lease costs of properties formerly occupied by Nutri/System UK.

Overall, there was an increase in the pre-tax profit, before exceptional items, of 20% to £7.60 million (1995: £6.31 million).

Completion of the Group restructuring programme which resulted in the business sales led to an exceptional charge. This amounted to £9.62 million, including a write-back of goodwill of £15.79 million, originally written off when the UK Specialist Personnel businesses were acquired.

Earnings per share

Based on the average number of shares in issue during the year of 75.6 million (1995: 74.9 million), earnings per share, before taking account of the exceptional charge on the sale of the businesses, were 7.12p compared with 5.79p last year, an increase of 23%. The FRS3 loss per share, including the exceptional charge on the sale of businesses, was 5.42p.

Dividends

The proposed final dividend is 2.20p (1995: 2.00p) to give total dividends for the year of 3.47p, an increase of 10%.

Taxation

The average rate of corporation tax for the year was 29.2%, before exceptional items, which compares with 31.3% in 1995. This reduced rate reflects the increased proportion of pre-tax profits emanating from the USA and the availability of tax losses against these overseas earnings.

Cash flow

Over the year, the Group's financial position improved further, from net borrowings of £4.74 million at the end of 1995 to net cash of £0.60 million at the end of 1996. During this period, the Group generated cash flows from operating activities of £6.23 million and made payments of tax, interest and dividends of £4.42 million.

Capital expenditure, mainly on improved systems for service delivery and support, new branches and vehicles, amounted to £1.47 million, and other investing activities, including the purchase of Medic International and the sales of the UK Specialist Personnel businesses produced a net cash inflow of £4.39 million.

At the year end the Group had sterling cash of £0.60 million. There was no sterling or US dollar debt following the repayment of the outstanding US dollar borrowings in May 1996.

Shareholders' funds

The shareholders' funds at the year end were £6.90 million (1995: £4.65 million). The increase in the year includes the retained profits, excluding exceptional items, of £2.74 million, the effect of the sales of the UK Specialist Personnel businesses, the purchase of Medic International and the merger of MRA which together resulted in a net reduction in shareholders' funds of £1.45 million, the issue of shares following the exercise of share options of £0.72 million and a positive impact of exchange rate movements of £0.24 million.

Foreign currency and treasury management

The trading results of overseas businesses are translated into sterling using average exchange rates and the balance sheets at year end rates.

Fluctuations in exchange rates can, therefore, have an effect on the Group's financial results and the balance sheet position at the year end. It is the Group's policy to hedge investments in foreign currency businesses by financing these, in part, with loans denominated in appropriate currencies.

The average US dollar exchange rate for the year was $1.57 (1995: $1.58) and the rate at the year end was $1.69 (1995: $1.55). Over the year there was a very small, £0.01 million, positive impact on the Group's pre-tax profit of the movements in the exchange rate but they had no effect on the balance sheet as the Group had no US dollar cash or borrowings at the year end.

Business Review

The Group provides healthcare personnel and services to a wide range of organisations and individuals, 24 hours a day, throughout the United Kingdom. Our prime emphasis is on quality and quick response to the care needs of the community

08:15 Birmingham Medical Duty Centre

Right: The overnight report of out of hours visits and Primary Care Centre activity is being reviewed at Birmingham's Medical Duty Centre

12:30 An acute general hospital in Glasgow

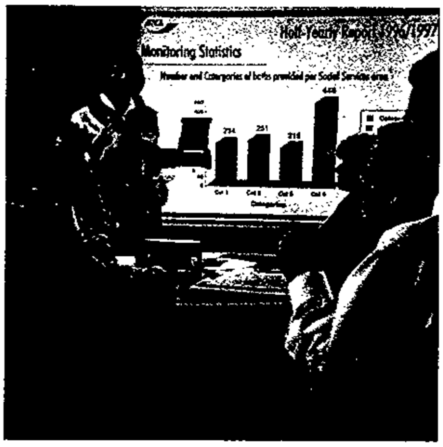
Below: A physiotherapist assesses a patient's condition in an acute general hospital in Glasgow

08:00 BNA branch office, Edinburgh

Above: The Edinburgh branch manager interviews a qualified nurse and checks her UKCC PIN

10:30 Hertfordshire Social Services

Right: A strategic review meeting with the Social Services team in the Hertford area, looking at the quality performance of the county-wide contract for domiciliary and personal care



18:35
Worldwide Healthcare Exchange Centre, Hatfield

Below: It's 1:35pm in Toronto, Canada as the Worldwide Healthcare Exchange co-ordinator speaks to the Canadian office to find out the names and details of our latest healthcare professionals wishing to travel to the UK

14:00
North Yorkshire school

Above: A school nurse carries out a standard series of medical checks on a pupil at a school in North Yorkshire

16:15
Business Resource Centre, Hatfield

Above: The IT Help Desk at the Business Resource Centre reviews the number of requests made that day from BNA's 133 branches across the UK

15:20
Newcastle

19:35
Leeds

Below: A BNA practice nurse in the Leeds area takes a blood sample from a patient attending a local surgery

22:55
A leading London teaching hospital

Above: A pharmacist dispenses drugs in a leading London teaching hospital

23:10
Manchester

Above: In Manchester a NMDS duty doctor examines a baby whose mother required the reassurance of a home visit

20:00
Bristol

[illegible] In Bristol a qualified nurse [illegible] insurance health screening in the [illegible] [illegible] 5,000 completed [illegible] across the UK

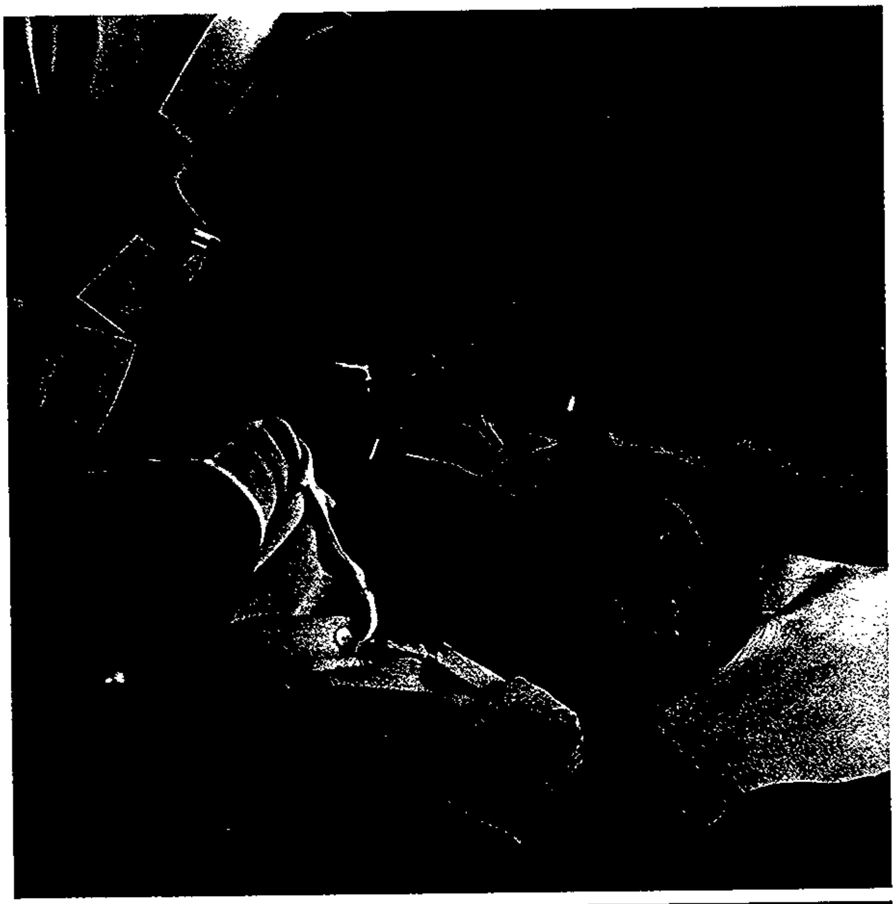
02 00 04 00 06 00

02:50
A busy acute general hospital in South Wales

[illegible]

05:45
Belfast

Above. A registered nurse answers the phone for the Belfast office in Northern Ireland to confirm the arrangements for a nurse to go on shift at the local Trust hospital. Every branch in the UK has its own on-call system manned by a qualified nurse

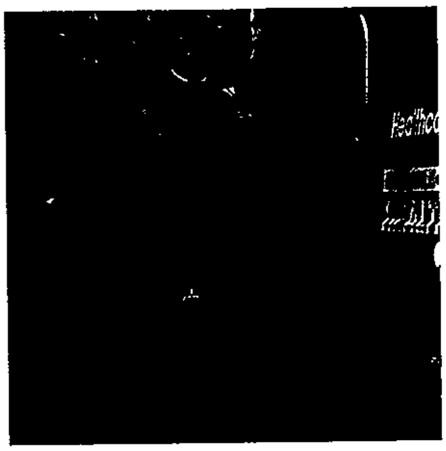


06:30
Heathrow Airport, London

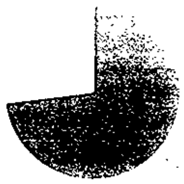
Below: Australian and South African nurses arrive on the early morning flights into Heathrow and are met by our welcome party and put onto Worldwide Healthcare Exchange's transport minibus. Nearly 3,500 nurses and doctors are expected to visit the UK to work this year through the Worldwide Healthcare Exchange programme

03:40
Liverpool Medical Duty Centre

Right: The number of calls increases at our Liverpool Medical Duty Centre as patients are given advice, booked into Primary Care Centres or have arrangements made for the doctor to visit them at home



UK Healthcare



UK Healthcare proportion of Group turnover in 1996: 83%

Nurses and Care Assistants
Doctors' Duty Services
Locum Doctors and other Medical Personnel

BNA

BNA is the largest provider of temporary and permanent nurses and care assistants in the UK from a network of 133 branches in England, Scotland, Wales and Northern Ireland. 70,000 nurses and care assistants are registered with BNA, 21,000 of whom joined during 1996.

In order to help address the shortage of nurses in this country we have created Worldwide Healthcare Exchange which specialises in attracting English speaking healthcare professionals from all over the world to visit and work in the UK. This is in addition to recruiting to our register UK nurses who want to work part-time. At present over 3,000 nurses and healthcare professionals are on our WHE register.

BNA works in partnership with the full spectrum of healthcare organisations providing nationwide programmes of quality healthcare. It also provides care services directly to private individuals throughout the UK.

In 1996, BNA arranged over 11.7 million hours of health and social care to the community, both in the primary and the secondary care sectors.

BNA is the leading provider of homecare, either self paid or through Local Authorities responsible for Care in the Community.

Self paid homecare is arranged by every branch whether for long term chronic or terminal care or for a limited time, as in post operative recovery at home. In 1996, 10,000 self pay clients received health and social care provided to them by BNA.

During 1996, BNA also provided nurses and care assistants to care for over 20,000 people under Care in the Community. The programme of accreditation and registration with local authorities is on-going and BNA is the leading agency registered with Social Services Departments in the country, working for most of the 180 Social Services Departments and Unitary Authorities.

Secondary Care

Hospitals

BNA provides temporary and permanent healthcare personnel to over 400 NHS Trusts and almost every private hospital group in the country. In 1996, the NHS represented 38% of BNA's total activity, with services provided to all types of NHS Trust,

acute, community, mixed, ambulance and specialist care, ranging from small community hospitals to the largest and most sophisticated teaching hospitals. Twelve Trusts have now outsourced their in-house bank management of healthcare workers to BNA, whose ability to recruit locally, regionally, nationally and internationally enables them to rely on us to manage their temporary healthcare staffing needs without having the worry or expense of running their own continuous recruitment programmes.

Two of the contracts won in 1996 were with the Camden and Islington Trust, the single largest Community Trust in the country and Queens University Trust, Nottingham which has one of the busiest Accident and Emergency departments in Western Europe.

Nursing and Residential Homes
Flexible staffing needs in this sector have grown as occupancy levels within nursing and residential homes have fluctuated. BNA provides RGNs, RMNs and care assistants to all sizes and types of home covering a full range of care requirements, including disabilities, chronic and acute.

Industry and Occupational Health
During 1996, services representing over 700,000 hours were provided to a variety of workplaces, including railways, factories, building sites and pharmaceutical organisations. Twenty of the leading insurance companies currently use BNA to provide pre-policy health screening checks. Pre-employment health checks, either at the workplace or at home, and drug and alcohol testing services are also growing.

Institutions
Prisons, schools, colleges and the armed forces regularly use BNA for temporary and permanent recruitment of medical staff. The Scottish prison service currently relies on BNA to provide all of its RMN and RGN temporary staffing needs.

Quality Standards
Every branch of BNA holds a nursing agency licence. This guarantees that a qualified nurse is responsible for the recruitment of nursing staff and the management and supervision of the care services provided.

Prior to entry onto BNA's register, every nurse and care assistant is interviewed, their references checked, professional qualifications confirmed and occupational and security checks are made.

Where appropriate, training is provided to our members to ensure that they are able to meet the general and specific healthcare needs of our clients. Special induction programmes have also been provided with major Trusts and Social Services Departments including equipment handling and the care of special needs groups. Protocols covering acute and chronic healthcare plans have been developed and implemented over the years. In addition, Post Registration Evaluation Programmes (PREP) and Return to Nursing courses have been run specifically for BNA's registered nurses to help them maintain or recover their nursing qualifications.

Nestor Medical Duty Services
1996 has been a year of change and extension of our home visiting services. NMDS' main activity of visiting patients in their own homes after normal surgery hours has been supplemented by the development and running of Primary Care Centres.

The Government has provided a Development Fund of £45 million which has been allocated to GPs to assist in the development of out of hours services, with particular

UK Healthcare

UK Healthcare proportion of Group turnover in 1996: 83%

Nurses and Care Assistants
Doctors' Duty Services
Locum Doctors and other Medical Personnel

emphasis on the development of Primary Care Centres, where the patient can visit the doctor after surgery hours.

NMDS has responded positively to the new requirements of their GP clients, and has established nine Primary Care Centres in Liverpool and Birmingham during the year, utilising the Development Fund allocation of their GPs.

NMDS offers this new service to over 2,200 GP clients in Liverpool, Birmingham, Manchester, Stoke and St Helens. It also assists GP co-operatives by providing them with the home visiting element of their service.

Other NMDS services include the provision of locum doctors to GPs who require cover for holidays or illness and the running of post-graduate training courses to assist GPs in their professional development.

Medic International

Medic International joined the Nestor Group in July 1996. Medic is one of the largest agencies specialising in the provision of locum doctors, occupational therapists, physiotherapists, operating department assistants and other specialist healthcare professionals. There are over 10,000 doctors registered with Medic's six branches.

Hospital doctors of all grades and specialities and GPs are available for work through Medic. After joining the Group, Medic secured its first locum doctors bank contract at the Whittington NHS Trust, London. This began in November 1996 and is likely to be copied by many Trusts in the UK as they seek greater control of the cost and quality of temporary hospital doctor staffing.

Prior to joining the Group, Medic had been providing nurses as well as other medical personnel to NHS Trusts, and BNA had provided doctors and physiotherapists through Remedy, Cartwright and TMS. As part of the integration process Medic's nursing activity was transferred to BNA's branches, except for certain long-term contracts specific to Medic, and Medic took over responsibility for BNA's doctors and physiotherapists activities.

Since July Medic has successfully increased its provision of specialist healthcare professionals, in particular occupational therapists and physiotherapists, by recruiting through Worldwide Healthcare Exchange.

UK Healthcare

BNA and Medic International branches and NMDS medical duty centres

BNA branches

Bromley
Camberwell
Camden and Islington
Croydon
Ealing
Earls Court Road
Hamsptead
Hendon
Kenton
Kingston-upon-Thames
Leytonstone
Marble Arch
Richmond
St Mary's Paddington
Wimbledon

Regional
England
Ashford
Barnsley
Basingstoke
Bath
Beccles
Bedford
Bexhill-on-sea
Billericay
Birmingham
Birmingham Heartlands
Bognor Regis
Bournemouth
Bradford
Brighton
Bristol
Burnley
Bury St Edmunds
Camberley
Cambridge
Canterbury
Chatham
Chelmsford
Cheltenham
Chichester
Colchester
Coventry
Dartford
Doncaster
Dorchester
Durham
Eastbourne
Epsom
Essex Rivers
Exeter
Exmouth
Folkestone
Grantham
Grimsby
Guildford
Harlow
Harrogate
Hastings
Haywards Heath
Hereford
High Wycombe
Hull
Huntingdon
Ipswich
Isle of Wight
Kendal
Kings Lynn
Leamington Spa
Leeds
Leicester
Leyland
Liverpool
Luton & Dunstable
Maidstone
Manchester
Middlesbrough
Newbury
Newcastle
Newmarket
Northallerton
Northampton
North Yorkshire
  Social Services
Norwich
Nottingham
Ormskirk
Oxford
Peterborough
Plymouth
Portsmouth
Queens Medical Centre
  Nottingham
Reading
Romford
Rotherham
St Albans
Salisbury
Scarborough
Screening Services
  Hatfield
Sheffield
Shrewsbury
Solihull
Solihull Nurse Bank
Southampton
Southend-on-sea
Stevenage
Stoke-on-Trent
Stourbridge
Sutton Coldfield
Thanet
Torquay
Truro
Tunbridge Wells
Watford
Winchester
Wolverhampton
Worcester
Worthing
Yeovil
York

Scotland
Aberdeen
Ayrshire
Borders
Edinburgh
Edinburgh Sick Children
  NHS Trust
Fife
Forth Valley
Glasgow
Highlands
Perth
Royal Infirmary of
  Edinburgh NHS Trust

Abergavenny
Cardiff

Belfast
Coleraine

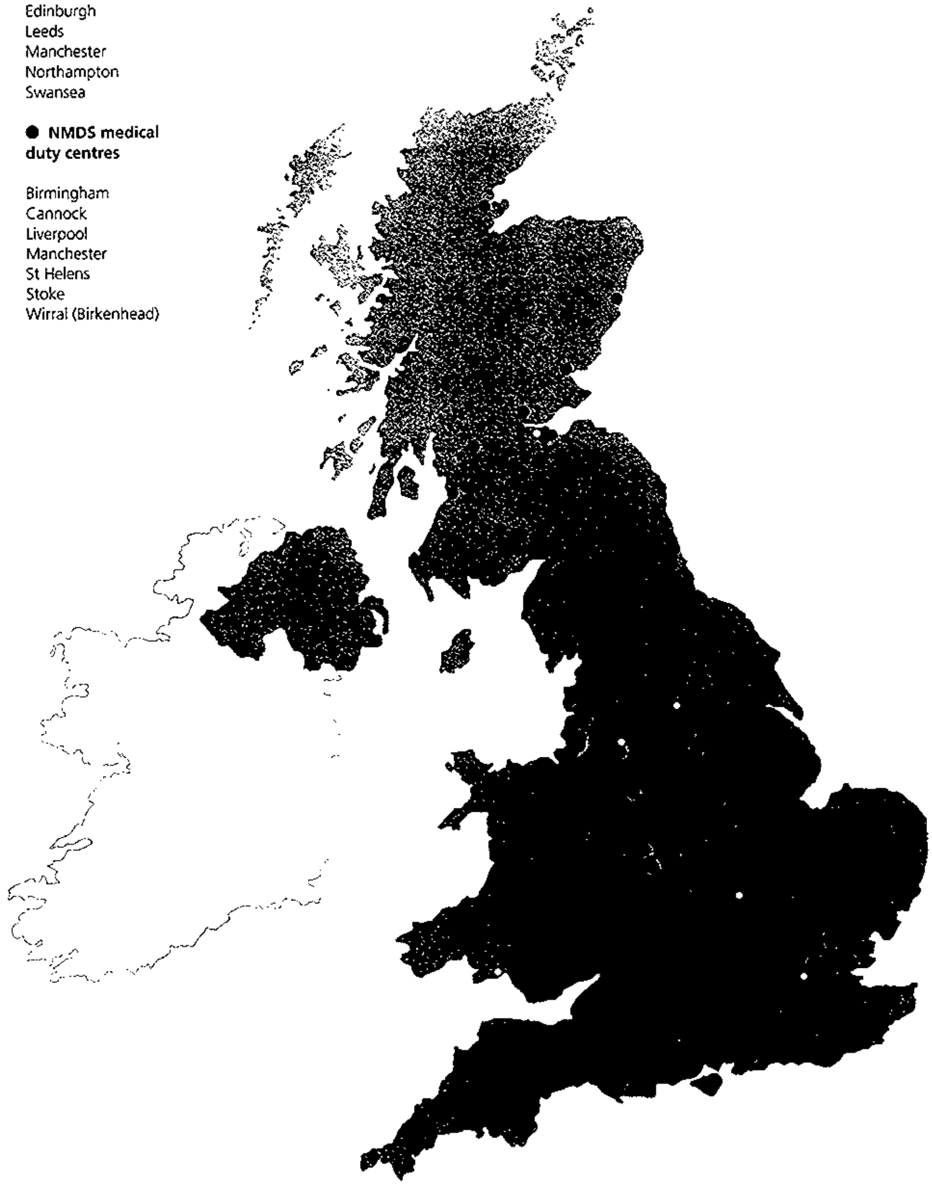
Worldwide Healthcare
  Exchange, Hatfield

O Medic International branches

London
Edinburgh
Leeds
Manchester
Northampton
Swansea

● NMDS medical duty centres

Birmingham
Cannock
Liverpool
Manchester
St Helens
Stoke
Wirral (Birkenhead)



Chairman

61, was appointed non-executive Chairman in September 1994 and became part-time executive Chairman in July 1996. He is Chairman of QS Holdings PLC, a non-executive director of Rentokil Initial plc and Chairman of Remploy Ltd. Formerly he was deputy Chairman and executive director of British-American Tobacco Co. Ltd.

Executive directors

Clive Chapman
48, is Managing Director, Finance and Corporate Planning. He joined Nestor-BNA in September 1990. Before joining the Group he was Group Finance Director of ITL Information Technology plc and, prior to that, Group Financial Controller of the P&O Group.

John Cockburn
55, is Managing Director of Nestor Medical Duty Services. He was appointed Medical Director of Liverpool Locums in 1973 and joined the Board of Nestor-BNA in March 1986. He is Vice-Chairman of the Federation of Medical Services.

Justin Jewitt
42, is Managing Director, UK Healthcare. He joined the Group as Managing Director of BNA in May 1994 and was appointed to the Board of Nestor-BNA in July 1996. He was previously Managing Director of two of BET's business services companies prior to which he worked in various roles in Thorn EMI and Mobil Oil.

Non-executive directors

51, MP for Wimbledon, joined the Board in February 1993. He is an occupational physician and a barrister. He has served as Parliamentary Private Secretary in the Department of the Environment, The Treasury and the Department of Transport and is a member of a wide range of Parliamentary Committees. He holds a number of appointments in industry and commerce.

Francis Howard
61, joined the Board in June 1987. He is a director of Howard Perry Associates Limited, business and financial consultants. He was previously Finance Director of Charter Consolidated PLC. He is a non-executive director of Consolidated Communications Management Limited and other companies.

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John Wood

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Chartered Accountants
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Nestor-BNA plc
Financial Statements

The directors present their report and the audited financial statements for the year ended 31st December 1996.

Principal activities, results and future developments

Nestor-BNA plc is the holding company of a group of companies in the healthcare sector. The principal activities of the Group are:

- the provision of nurses and carers and healthcare services through the largest nursing agency network in the United Kingdom,
- the provision of doctors' duty services in the North West of England and the West Midlands,
- the provision of locum doctors and other healthcare personnel,
- investment in a partnership providing travel nursing services throughout the United States of America.

The accompanying Chairman's Statement, Operating and Financial Review and Business Review report on the Group's activities, trading results and future developments.

Results and dividends

The loss for the year after taxation was £4,094,000. An interim dividend of 1.27p per Ordinary Share was paid on 25th October 1996. The directors now recommend a final dividend of 2.20p per Ordinary Share. Following payment of all dividends for the year, totalling 3.47p an amount of £6,734,000 will have been transferred from reserves.

Disposal of businesses

On 17th May 1996 the Company disposed of its investment in the entire issued share capital of the companies comprising the Hewitson-Walker and Scott-Grant businesses.

Merger of business

On 1st July 1996, the Company merged the business and assets of MRA Staffing Systems, Inc. with CCHP, Inc., a subsidiary of W.R. Grace & Co. to form a partnership, Cross Country Staffing.

Acquisition of business

On the 22nd July 1996 the Company acquired the entire issued share capital of Medic International Limited.

Directors

The directors who served during the year were D G Heywood, M G Rogers, C R Chapman, J J Cockburn, J A S Jewitt, F J A Howard* and C Goodson-Wickes*.

M G Rogers resigned from the Board and J A S Jewitt was appointed to the Board on 15th July 1996. D G Heywood became part-time executive Chairman on 15th July 1996.

In accordance with the Articles of Association, J A S Jewitt will retire at the Annual General Meeting to be held on 15th May 1997 and, being eligible, will offer himself for re-election and F J A Howard will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

The appointment of F J A Howard is for a fixed period of three years expiring on 31st December 1997, renewable thereafter annually for a further one year upon agreement between him and the Board. J A S Jewitt has a service agreement with the Company which is subject to twelve months' notice of termination.

*non-executive directors

Directors' interests

All directors' interests, including details of shareholdings, are set out in the Report of the Compensation Committee on pages 20 to 22.

Substantial shareholders

At the date of this report, the Company has been notified of the following interests of 3% or more in the ordinary share capital.

	Number	Percentage of issued share capital
Prudential Corporate Group, including clients' managed funds	10,020,548	13.2%
Standard Life	5,236,386	6.9%
3i Group plc	3,618,789	4.8%
Electra Investment Trust PLC	2,300,000	3.0%

Share capital
Details of the authorised and issued share capital of the Company during the year ended 31st December 1996 are given in Note 22 to the financial statements.

A Special Resolution will be proposed at the Annual General Meeting, seeking authority for the directors to issue shares of the Company for cash, without complying with the statutory pre-emption procedures, within certain constraints as set out in the Notice of Annual General Meeting. This is similar to the corresponding resolutions passed in previous years. The proposed authority limit represents approximately 5% of the Company's issued share capital. If approved by the Meeting, this power will continue until the next Annual General Meeting of the Company.

At the 1996 Annual General Meeting the shareholders gave the Company authority to purchase up to a limit of 10% of its own shares. The authority expires at the conclusion of the forthcoming Annual General Meeting at which a Special Resolution will be proposed to renew the authority for a further year.

The directors have no present intention of exercising the authority and purchases would only be made if the directors considered it to be in the best interest of the shareholders and if the purchase could be expected to result in an increase in earnings per share.

Share schemes
Information regarding share options issued and exercisable under the Nestor-BNA Employee Share Option Scheme, the Nestor-BNA Company Share Option Plan 1996, the Nestor-BNA Employee Share Option Scheme 1996 and the Nestor-BNA Savings Related Share Option Scheme, is given in Note 27 to the financial statements. Information relating to the share options issued to and exercisable by the directors is stated in the Report of the Compensation Committee set out on pages 20 to 22.

During the year no shares were allocated to employees under the Nestor-BNA Profit Sharing Scheme. The Scheme having run its five year life all the shares have now been sold or transferred.

Company name
A Special Resolution will be proposed at the Annual General Meeting changing the name of the Company to Nestor Healthcare Group plc. The purpose of the name change is to reflect the Company's focus on healthcare.

Articles of Association
A Special Resolution will be proposed at the Annual General Meeting to adopt new Articles of Association and an appendix to the notice of meeting explains the changes. The Articles have been updated to include the current Listing Rules of the Stock Exchange, changes required to accommodate CREST and other changes to bring them into line with current best practice.

Charitable and political donations
During the year the Group made contributions to United Kingdom charitable organisations of £302. No political donations were made.

Taxation status
The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Disabled employees
It is the Group's policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes in common with all employees.

Employee involvement
The Group attaches considerable importance to ensuring that all its employees are provided with information concerning them as employees, particularly the economic and financial factors affecting the Group's performance.

Internal circulars and newsletters are issued regularly and consultation between management and their staff is an ongoing process.

Creditor payment policy
It is the Group's policy to have appropriate terms and conditions for transactions with suppliers, ranging from standard terms and conditions to specific negotiated contracts, and that, in the absence of dispute, payment be made in accordance with those terms and conditions and conforming to the CBI Code of Best Practice.

Auditors
A resolution proposing the re-appointment of Coopers & Lybrand, Chartered Accountants, as auditors to the Company and authorising the directors to determine their remuneration will be put to the Annual General Meeting.

Approved by the Board on 24th March 1997 and signed on its behalf by

J Wood *Secretary*

1. Composition of the Compensation Committee

The Compensation Committee ("the Committee") is chaired by D G Heywood and meets at least annually and at other times as necessary. The Committee comprises D G Heywood, C Goodson-Wickes and F J A Howard.

2. Compliance

Except for the inclusion of the part-time executive Chairman on the Committee, its constitution and operation are in compliance with the principles of, and the Company has complied with, Section A of The Best Practice Provisions annexed to The Listing Rules of the London Stock Exchange ("the Greenbury Committee"). The Committee confirms that full consideration has been given to Section B of The Best Practice Provisions annexed to The Listing Rules in determining the remuneration packages for directors.

3. Policy on remuneration of executive directors

The Committee aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre. The main components of remuneration are:

- Basic salary
  Basic salary is determined by the Committee taking into account the performance of the individual and with reference to external professional advice on the rates of salary for similar jobs in comparable companies;
- Bonus
  The targets for bonuses are set by the Committee balancing the short term and the longer term. Superior performance is encouraged by providing challenging performance goals which must be achieved before the bonus is payable. The bonus scheme includes individual objectives and targets linked to the Group's performance in profit before tax and earnings per share; and
- Share options
  The Company believes that share ownership by executive directors strengthens the link between their personal interests and those of shareholders.

The Chairman's emoluments comprise a basic salary only, determined at a meeting of the Committee in which the Chairman does not participate.

4. Employee share option schemes

The Committee is responsible for approving grants of options and for determining whether the performance criteria, which have to be satisfied as a pre-condition to the exercise of options, have been met. It is policy to grant options under the schemes at the market value of the Company's ordinary shares at the time of grant.

The exercise of the options held under the Employee Share Option Scheme is conditional on the following performance criteria:

- Section A options - growth in the Company's earnings per share (EPS) over any four consecutive accounting periods of the Company, commencing no earlier than the accounting period ending immediately prior to the date of grant and ending no later than the accounting period ending immediately prior to the date of exercise, exceeding the percentage increase in the Retail Prices Index for the period commencing with the last month of the first accounting period used to determine the Company's EPS and ending with the last month of the fourth of the accounting periods used for that purpose; and
- Section B options - the Company's EPS over any six consecutive accounting periods of the Company, commencing and ending within the same limits as apply in determining the Company's EPS for the purpose of Section A options, placing the Company in the top quartile of FT-SE 100 companies by reference to percentage growth in EPS over the same period.

The exercise of the options held under the Company Share Option Plan 1996 and Employee Share Option Scheme 1996 is conditional on the attainment of the performance criteria that the Committee has imposed. Exercise may take place only if, for a consecutive period of three financial years ending on dates following the date of grant, there has been growth in the Company's earnings per share of at least 15 per cent above the growth in the UK retail prices index.

5. Savings Related Share Option Scheme

The Company operates a savings related share option ("SAYE") scheme which provides a long term savings and investment opportunity for employees. The Scheme is open to all UK employees who have been with the Group for at least one year and are able to contract to pay monthly savings. Executive directors participate on equal terms with other employees. The options may be exercised normally after five years at a price which is fixed at a discount of up to 20% from the mid-market price on the business day before the Date of Invitation applying to each option.

6. Company policy on contracts of service

The Chairman has no service contract but holds a letter of appointment for three years to September 1997, renewable thereafter for a further three years subject to agreement between the Chairman and the Board.

Other executive directors appointed before May 1996 have service contracts which are subject to two years' notice of termination, reducing to one year's notice after the 1997 Annual General Meeting. Any executive director appointed after May 1996 has a service contract which is subject to one year's notice of termination. In the event of a change of control of the Company, termination is subject to two years' notice.

Non-executive directors hold letters of appointment for fixed periods of three years, renewable one year at a time thereafter subject to agreement between the director and the Board.

7. Company pensions policy regarding executive directors

C R Chapman and J J Cockburn are members of the Company's retirement benefits scheme. The Scheme is a funded, Inland Revenue approved, final salary, occupational pension scheme. They are entitled to a pension based on final salary (excluding bonuses) and length of pensionable service, subject to Inland Revenue limits. C R Chapman is entitled to additional death-in-service benefits in a separate unapproved scheme. The Company contributes to a personal pension plan of J A S Jewitt.

8. Directors' emoluments

	Basic salary and fees 1996 £000	Taxable benefits 1996 £000	Performance related bonuses 1996 £000	Total emoluments excluding pensions 1996 £000	Total emoluments excluding pensions 1995 £000
D G Heywood	61	–	–	61	41
M G Rogers*	81	7	11	99	206
C R Chapman	116	14	36	166	155
J J Cockburn	89	8	4	101	115
J A S Jewitt**	57	3	14	74	–
A J T Pilgrim***	–	–	–	–	75
C Goodson-Wickes	17	–	–	17	15
F J A Howard	20	–	–	20	18
Total 1996	441	32	65	538	
Total 1995	454	46	125		625

*On 15th July 1996 M G Rogers resigned and was paid £300,000 compensation for loss of office in accordance with his service contract and a contribution was made by the Company to the pension fund of £79,000. A further payment of £16,725 will be made in respect of a bonus based on the performance of the Group for the year.

**J A S Jewitt became a director on 15th July 1996. The emoluments stated relate to the period after he became a director.

***A J T Pilgrim resigned on 5th June 1995.

The figures above represent emoluments earned as directors during the relevant financial year. Such emoluments are paid in the same financial year with the exception of bonuses, which are paid in the year following that in which they are earned.

Until detailed guidance is available from the Institute and Faculty of Actuaries under the Code, the figures for pensions shown above are the contributions paid by the Company.

9. Directors' interests

The beneficial and family interests of directors in the share capital of the Company according to the register of directors' interests maintained by the Company under Section 325, Companies Act 1985 were:

	Ordinary Shares		Share Options Employee Scheme		Share Options Employee Scheme 1996		SAYE Scheme	
	31.12.96	31.12.95	31.12.96	31.12.95	31.12.96	31.12.95	31.12.96	31.12.95
D G Heywood	300,290	260,000	–	–	–	–	–	–
C R Chapman	–	–	330,000	330,000	221,400	–	20,089	20,089
J J Cockburn	10,141	10,141	185,152	276,312	79,000	–	–	–
F J A Howard	12,251	12,251	–	–	–	–	–	–
J A S Jewitt	–	–	177,800	177,800	221,400	–	28,750	28,750

Notes:

1. The above shareholdings include ordinary shares held on behalf of the directors by trustees under the Nestor-BNA Profit Sharing Scheme.
2. Between 31st December 1996 and the date of this report there were no changes in the interests of the directors in the share capital of the Company. On 24th March 1997 J A S Jewitt purchased 153,846 Ordinary Shares.
3. None of the directors has any non-beneficial interest in the Company's share capital.
4. No director was materially interested in any contract of significance (apart from contracts of service) with any Group company during or at the end of the financial year.

Options granted to and not yet exercised by directors at 31st December 1996 were:

		Employee Share Option Scheme							Employee Share Option Scheme 1996	SAYE Scheme	
Date of grant		Dec 87	Apr 89	Aug 89	Oct 90	Oct 91	May 93	Oct 94	Nov 96	Oct 91	Oct 95
First possible exercise date	A	Dec 90	Apr 92	Aug 92	Oct 93	Oct 94	May 96	Oct 97	Nov 99	Nov 96	Nov 00
	B	Dec 92	Apr 94	–	Oct 95	Oct 96	May 98	–	–	–	–
Last exercise date		Dec 97	Apr 99	Aug 99	Oct 00	Oct 01	May 03	Oct 04	Nov 06	May 97	May 01
Option price		72p	145p	119p	86p	67p	53p	45p	115p	56p	60p
C R Chapman	A	–	–	–	80,000	20,000	50,000	–	221,400	20,089	–
	B	–	–	–	40,000	–	140,000	–	–	–	–
J J Cockburn	A	–	6,227	17,644	11,500	–	–	–	79,000	–	–
	B	14,531	–	–	15,250	–	120,000	–	–	–	–
J A S Jewitt	A	–	–	–	–	–	–	177,800	221,400	–	28,750

Notes:

1. During the year share options were granted to the directors as above and J J Cockburn exercised 91,160 Section A Employee Share Option Scheme options. Other than this, no share options were granted, exercised or lapsed in relation to directors.
2. Since 16th March 1990 there has been no cost to the employee for receipt of the Employee Share Option Scheme or Employee Share Option Scheme 1996 options. Deductions from earnings are made in respect of the SAYE Scheme.
3. Employee Share Option Scheme and Employee Share Option Scheme 1996 option prices are fixed at the mid-market price on the business day preceding the Date of Grant.
4. SAYE Scheme option prices are fixed at a discount of up to 20% below the mid-market price on the business day before the Date of Invitation applying to each option.
5. The mid-market price at the end of the year was 123.5 pence and the range during the year was 79 pence to 125 pence.

On behalf of the Board

David Heywood *Chairman, Compensation Committee*
24th March 1997

The Board

The Board currently comprises the part-time executive Chairman, D G Heywood, three executive directors, C R Chapman, J J Cockburn and J A S Jewitt, and two non-executive directors, C Goodson-Wickes and F J A Howard. It is responsible to shareholders for the proper management of the Group and meets regularly throughout the year, normally on a monthly basis, setting and monitoring Group strategy, reviewing trading performance, advising on senior management appointments, formulating policy on key issues and reporting to shareholders.

The Board has appointed Audit and Compensation Committees, both with formal constitutions.

Audit Committee

The Audit Committee is chaired by F J A Howard, comprises the Chairman and the non-executive directors and meets at least twice a year. The principal duties of the Committee are

- to recommend the appointment, scope and fees of the external auditors;
- to ensure that appropriate accounting policies and controls are in place and applied consistently;
- to ensure that financial statements are prepared in accordance with accounting standards and Stock Exchange and legal requirements; and
- to provide a forum through which the Group's auditors report to the Board.

Compensation Committee

The Compensation Committee is chaired by D G Heywood, comprises the Chairman and the non-executive directors and meets at least annually and at other times as necessary. The principal duties of the Committee are

- to assess the responsibilities and performance of executive directors and certain other key executives and, with reference to professional external advice, determine their annual remuneration, bonuses and longer term incentives, including share options; and
- to decide the granting of share options to executive directors and other employees, and to administer the share option and profit sharing schemes in accordance with the rules.

The Report of the Compensation Committee is given on pages 20 to 22.

Going concern

The directors confirm that, after reviewing the financial position and cash flows of the Group, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal financial control

The directors are responsible for the Group's system of internal financial control. Such a system can provide reasonable but not absolute assurance against material mis-statement or loss.

The key procedures which are designed to provide effective internal financial control are as follows:

- operating divisions maintain internal financial controls appropriate to their respective businesses. These conform to all Group policies as set out in the Group Accounting Policies and Procedures Manual. This sets out the accounting policies of the Group and the framework of internal financial control. Within the Manual, the duties of the Audit Committee, Group finance staff and divisional management are clearly set out with respect to internal financial control;
- divisional management are required annually to review the effectiveness of their systems of internal financial control and to complete an internal financial control questionnaire. At the year end they are required to confirm that they have reviewed for the whole year their system of internal financial control. Group finance staff review the completed questionnaires and make visits to operating sites where the internal financial controls are further reviewed. The results of this process are reported to the Audit Committee;
- major business risks are identified to the Board in respect of each business area and monitored through monthly reports from divisional and group management which set out all major business issues. The Group operates a comprehensive budgeting and forecasting system where monthly results are reviewed and major variances investigated; and
- as part of their normal annual audit procedures, Coopers & Lybrand review internal financial controls to the extent necessary to enable them to form an opinion on whether the accounts give a true and fair view. Within this scope of work they review the completed internal financial control questionnaires for accuracy and completeness. The results of this process are reported annually to the Audit Committee.

The directors confirm that, for the year ended 31st December 1996, they have reviewed the effectiveness of their systems of internal financial control.

Compliance with the Code of Best Practice

The Group complies with the provisions of the Code of Best Practice, as contained in the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance, except for the number of non-executive directors and, therefore, the composition of the Audit Committee. The Board intends to make a further appointment of a non-executive director and to increase their number on the Board committees. The report by the auditors on corporate governance matters is given on page 24.

Report by the auditors to Nestor-BNA plc

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 23 on the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and on going concern on page 23, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 23 appropriately reflects the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants
London

24th March 1997

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit and cash flows of the Group for the period to that date. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and in accordance with applicable accounting standards. In addition, the directors are required

- to adopt suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to take account of expenses and income relating to the period being reported on, whether or not they have been paid or received in that period; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are also responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985, for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities.

Auditors' Report

Report of the auditors to the members of Nestor-BNA plc

We have audited the financial statements on pages 26 to 45.

Responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 1996 and of the loss, total recognised losses, and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

24th March 1997

	Notes	1996 £000	1995 £000
Turnover			
Continuing operations – ongoing		**120,802**	114,697
Continuing operations – acquisition		**3,772**	–
Discontinued operations		**5,442**	14,419
	2,3	**130,016**	129,116
Cost of sales		**(102,245)**	(102,304)
Gross profit		**27,771**	26,812
Administrative expenses		**(21,007)**	(20,140)
Operating profit			
Continuing operations – ongoing		**6,283**	5,512
Continuing operations – acquisition		**155**	–
Discontinued operations		**326**	1,160
		6,764	6,672
Share of profit of associate		**772**	–
	3	**7,536**	6,672
Exceptional items			
Loss on sale of discontinued operations	7	**(9,623)**	–
(Loss) profit on ordinary activities before interest		**(2,087)**	6,672
Interest receivable less payable	8	**64**	(360)
(Loss) profit on ordinary activities before taxation		**(2,023)**	6,312
Taxation	9	**(2,071)**	(1,974)
(Loss) profit on ordinary activities after taxation		**(4,094)**	4,338
Dividends	11	**(2,640)**	(2,362)
Retained for the year	23	**(6,734)**	1,976
(Loss) earnings per share			
FRS3 basis	12	**(5.42p)**	5.79p
Adjustment for exceptional items			
Sale of discontinued operations		**12.54p**	–
Before exceptional items	12	**7.12p**	5.79p
Dividends per share	11	**3.47p**	3.15p

The historical cost (loss) profit on ordinary activities before taxation and the historical cost (loss) profit retained for the year after taxation and dividends are the same as those reported above.

	Notes	1996 £000	1995 £000
(Loss) profit for the financial year		**(4,094)**	4,338
Currency translation differences on foreign currency net investments	23	**239**	(6)
Total recognised gains and losses relating to the year		**(3,855)**	4,332

	Notes	1996 £000	1995 £000
(Loss) profit for the financial year		**(4,094)**	4,338
Dividends	11	**(2,640)**	(2,362)
Other recognised gains and losses for the year		**239**	(6)
Shares issued during the year		**722**	124
Goodwill arising in the year written off	15	**(7,762)**	–
Goodwill transferred to the profit and loss account in respect of disposal of businesses	7	**15,786**	–
		2,251	2,094
Opening shareholders' funds		**4,650**	2,556
Closing shareholders' funds		**6,901**	4,650

	Notes	1996 £000	1995 £000
Fixed assets			
Tangible fixed assets	13	**2,712**	1,916
Investments	15	**(34)**	969
Total fixed assets		**2,678**	2,885
Current assets			
Stocks	16	–	45
Debtors	17	**14,621**	16,235
Cash at bank and in hand		**893**	591
		15,514	16,871
Creditors – amounts falling due within one year	18	**(11,060)**	(12,834)
Net current assets		**4,454**	4,037
Total assets less current liabilities		**7,132**	6,922
Creditors – amounts falling due after more than one year	19	**(114)**	(2,189)
Provisions for liabilities and charges			
Deferred taxation	21	**(117)**	(83)
Net assets		**6,901**	4,650
Capital and reserves			
Called up share capital	22	**7,612**	7,507
Share premium account	23	**1,923**	1,306
Acquisition reserve	23	**(6,082)**	(14,106)
Foreign exchange reserve	23	**885**	646
Profit and loss account	23	**2,563**	9,297
Equity shareholders' funds		**6,901**	4,650

The financial statements on pages 26 to 45 were approved by the Board on 24th March 1997 and were signed on its behalf by

D G Heywood

C R Chapman

	Notes	1996 £000	1995 £000
Fixed assets			
Tangible fixed assets	13	**93**	100
Investments	15	**37,505**	51,191
Total fixed assets		**37,598**	51,291
Current assets			
Debtors	17	**7,411**	7,658
Cash at bank and in hand		**4,851**	5,036
		12,262	12,694
Creditors – amounts falling due within one year	18	**(4,176)**	(8,214)
Net current assets		**8,086**	4,480
Total assets less current liabilities		**45,684**	55,771
Creditors – amounts falling due after more than one year	19	–	(2,189)
Net assets		**45,684**	53,582
Capital and reserves			
Called up share capital	22	**7,612**	7,507
Share premium account	23	**1,923**	1,306
Other reserves	23	**25,750**	38,594
Profit and loss account	23	**10,399**	6,175
Equity shareholders' funds		**45,684**	53,582

The financial statements on pages 26 to 45 were approved by the Board on 24th March 1997 and were signed on its behalf by

D G Heywood

C R Chapman

	1996 £000	1996 £000	1995 £000	1995 £000
Net cash inflow from operating activities		**6,226**		7,380
Returns on investments and servicing of finance				
Interest paid	**(246)**		(616)	
Interest received	**110**		100	
Net cash outflow from returns on investments and servicing of finance		**(136)**		(516)
Taxation				
Corporation tax (including ACT) paid	**(1,818)**		(1,409)	
Tax paid		**(1,818)**		(1,409)
Net cash inflow before investing activities and equity dividends paid		**4,272**		5,455
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(1,590)**		(783)	
Sale of tangible fixed assets	**117**		60	
Net cash outflow from capital expenditure and financial investment		**(1,473)**		(723)
Acquisitions and disposals				
Purchase of businesses	**(1,172)**		–	
Cost of merger of USA Healthcare operation	**(421)**		–	
Sale of discontinued operations	**5,982**		–	
Net cash inflow from acquisitions and disposals		**4,389**		–
Equity dividends paid				
Dividends paid	**(2,467)**		(2,357)	
Total equity dividends paid		**(2,467)**		(2,357)
Financing				
Issue of ordinary share capital	**722**		124	
Decrease in loans other than from banks	**(4,491)**		(2,179)	
Net cash outflow from financing		**(3,769)**		(2,055)
Increase in cash		**952**		320

The above format is in accordance with the revised FRS 1 statement on cash flow statements.
The notes to the Consolidated Cash Flow Statement are shown in Note 24 to the financial statements.

Note 1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention. Accounts are made up to the nearest practicable Friday to 31st December each year.

Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company and all its subsidiary undertakings. Where a subsidiary undertaking has been disposed of during the year, the results of that subsidiary undertaking are included to the date of the disposal. Merger accounting rules are followed in respect of mergers which satisfy the conditions set out in Financial Reporting Standard 6. Associated undertakings are accounted for using the equity method.

Depreciation

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the Group. It is the Group's policy to maintain its properties in a state of good repair, and in the case of freehold and long leasehold properties, the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties. Other fixed assets are written off by equal instalments over their anticipated useful lives of between three and eight years.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided on the liability method where, in the opinion of the directors, it is probable that the liability will crystallise in the foreseeable future.

Goodwill

Goodwill arises when the consideration paid for a business or company exceeds the fair value of the net tangible assets acquired. Any goodwill arising is written off immediately against reserves at the date of acquisition.

Pension costs

Pension costs are charged to the profit and loss account in such a way as to provide for the liabilities evenly over the remaining working lives of the employees.

Leases

Where fixed assets are financed by leasing agreements which give rights approximately equivalent to ownership (finance leases) the assets are capitalised. The corresponding lease commitments are treated as obligations to the lessor. All other lease payments are charged to the profit and loss account in the year to which they relate, including the cost of leases of land and buildings not occupied by the Group.

Foreign currencies

The trading results and cash flows of overseas subsidiary undertakings are translated into sterling using the average rates of exchange. The balance sheets of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the year end. Exchange differences arising on translation into sterling are dealt with through reserves. Where the Company takes out foreign currency loans to hedge its investments in overseas subsidiary undertakings, both the loan and that part of the investment matched to the loan are translated into sterling at the year end rate. The remaining element of the investment is translated at the rate ruling at the date of the investment except in those instances where forward exchange contracts have been arranged, in which case, the forward rate is used.

Note 2 Turnover

Turnover represents the amount invoiced net of value added tax in respect of the provision of services to customers during the year.

Note 3 Analysis of turnover, operating profit and net assets

	Turnover 1996 £000	Turnover 1995 £000	Operating profit and share of profit of associate 1996 £000	Operating profit and share of profit of associate 1995 £000
Turnover and operating profit, including share of associate by geographical location				
United Kingdom	**119,013**	108,356	**7,706**	7,360
United States of America	**23,609**	20,760	**1,421**	1,128
Central costs	**–**	–	**(1,591)**	(1,816)
	142,622	129,116	**7,536**	6,672
United States of America – share of associate turnover	**(12,606)**	–	**–**	–
	130,016	129,116	**7,536**	6,672
Turnover and operating profit, including share of associate by business activity				
UK Healthcare				
Ongoing	**109,799**	93,937	**7,225**	6,200
Acquired businesses	**3,772**	–	**155**	–
	113,571	93,937	**7,380**	6,200
USA Healthcare				
As a subsidiary	**11,003**	20,760	**649**	1,128
Share of associate	**12,606**	–	**772**	–
	23,609	20,760	**1,421**	1,128
Central costs	**–**	–	**(1,591)**	(1,816)
Total continuing operations	**137,180**	114,697	**7,210**	5,512
Discontinued operations				
UK Specialist Personnel	**5,442**	14,419	**326**	1,160
Total	**142,622**	129,116	**7,536**	6,672
USA Healthcare – share of associate turnover	**(12,606)**	–	**–**	–
	130,016	129,116	**7,536**	6,672

There is no material difference between the geographical analysis of turnover by origin and by destination.

With effect from 1st July 1996, the Group's USA Healthcare business, MRA, was merged with CCHP, Inc. to form a partnership, Cross Country Staffing. The results of MRA to 30th June 1996 and the Group's share of the profit of Cross Country Staffing from 1st July 1996 are included as part of continuing operations.

Note 3 – continued

Analysis of turnover, operating profit and net assets

Turnover, cost of sales, gross profit, administrative expenses, operating profit and share of profit of associate are analysed between continuing and discontinued operations as follows:

	Continuing -ongoing 1996 £000	Continuing -acquisition 1996 £000	Discontinued 1996 £000	Total 1996 £000
Turnover	**120,802**	**3,772**	**5,442**	**130,016**
Cost of sales	**(95,278)**	**(2,938)**	**(4,029)**	**(102,245)**
Gross profit	**25,524**	**834**	**1,413**	**27,771**
Administrative expenses	**(19,241)**	**(679)**	**(1,087)**	**(21,007)**
Operating profit	**6,283**	**155**	**326**	**6,764**
Share of profit of associate	**772**	**–**	**–**	**772**
Total operating profit and share of profit of associate	**7,055**	**155**	**326**	**7,536**

	1995 £000	1995 £000	1995 £000	1995 £000
Turnover	114,697	–	14,419	129,116
Cost of sales	(91,708)	–	(10,596)	(102,304)
Gross profit	22,989	–	3,823	26,812
Administrative expenses	(17,477)	–	(2,663)	(20,140)
Operating profit	5,512	–	1,160	6,672

Analysis of net operating assets	Net operating assets 1996 £000	1995 £000
Analysis of net operating assets by geographical location		
United Kingdom	**23,265**	36,168
United States of America	**31,909**	30,113
	55,174	66,281
Analysis of net operating assets by business activity		
UK Healthcare	**22,557**	20,093
USA Healthcare	**31,909**	30,113
Central	**708**	(350)
Continuing operations	**55,174**	49,856
Discontinued operations		
UK Specialist Personnel	**–**	16,425
	55,174	66,281
Capital employed per consolidated balance sheet	**6,901**	4,650
Loans	**–**	4,378
Overdrafts (cash)	**(595)**	361
Goodwill written off	**48,868**	56,892
Total net operating assets, including goodwill	**55,174**	66,281

Note 4 Operating profit

	1996 £000	1995 £000
Operating profit is stated after charging (crediting)		
Depreciation	**724**	820
Net profit on sale of tangible fixed assets	**(10)**	(6)
Hire of plant and machinery	**3**	7
Auditors' remuneration – audit	**78**	115
Rents received net of outgoings	**(135)**	(154)
Rent of premises	**1,531**	1,478

Remuneration of the Company's auditors in respect of other services amounted to £191,000 (1995 – £192,000).

Note 5 Employees

	1996 £000	1995 £000
Employee costs		
Wages and salaries	**12,208**	11,887
Social security costs	**951**	916
Other pension costs	**392**	296
	13,551	13,099

	1996 Number	1995 Number
Employee numbers		
The average number of persons employed by the Group during the year was		
Full-time	**564**	552
Part-time	**775**	773
	1,339	1,325

Note 6 Directors' emoluments

	1996 £000	1995 £000
Employee costs include the following emoluments in respect of the directors		
Fees, basic salaries, bonuses and benefits	**555**	625
Pension contributions	**153**	35
Compensation for loss of office	**300**	–
	1,008	660

The total emoluments of the Chairman were £61,000 (1995 – £41,000). The total emoluments of the highest paid director were £187,000 (1995 – £219,000) including pension contributions of £21,000 (1995 – £13,000). Further disclosure of directors' emoluments is set out in the Report of the Compensation Committee on pages 20 to 22.

Note 7 Exceptional items

The loss on sale of discontinued operations relates to the disposal of Hewitson-Walker and Scott-Grant on 17th May 1996 to their respective managements. The consideration, net assets sold and loss arising on sale are as follows:

	1996 £000	1995 £000
Consideration, including settlement of overdrafts and intra–group indebtedness		
Cash	**6,780**	–
£1,374,000 secured loan note (7%, 1997 - 2000)	**1,374**	–
Total consideration	**8,154**	–
Book value of non-cash assets sold	**1,060**	–
Goodwill previously written off	**15,786**	–
	16,846	–
Total consideration less book value of assets sold, including goodwill	**(8,692)**	–
Costs of sale		
Sale expenses	**(481)**	–
Other	**(450)**	–
Loss on sale of discontinued operations	**(9,623)**	–

Other costs of sale relate to the costs and compensation for loss of office of M G Rogers.

Note 8 Interest receivable less payable

	1996 £000	1995 £000
On bank loans, overdrafts and other loans		
repayable within five years, not by instalments	**(14)**	(48)
repayable within five years, by instalments	**(175)**	(525)
Investment income – bank interest and other income receivable	**253**	213
	64	(360)

Note 9 Taxation

	1996 £000	1995 £000
Corporation tax at 33% (1995 – 33%) on taxable profit for the year	**1,890**	2,075
Over-provision in previous years	**(2)**	(39)
Deferred tax	**34**	(62)
Overseas taxes	**149**	–
	2,071	1,974

The taxation charge reflects the results of USA Healthcare and the availability of allowable deductions against its profits.

Note 10 (Loss) profit for the year

The loss for the year dealt with in the accounts of the Company amounts to £5,980,000 (1995 – £3,040,000 profit), before transferring the gain on foreign exchange of £2,000 (1995 – £10,000) to the foreign exchange reserve (see Note 23).
The profit retained by subsidiary companies is £1,888,000 (1995 – £1,308,000). Under the provisions of Section 230 of the Companies Act 1985, the Company has not published its own profit and loss account.

Note 11 Dividends

	1996 £000	1995 £000
Dividends paid		
Ordinary shares: 1.27p per share (1995 – 1.15p)	**965**	860
Dividends proposed		
Ordinary shares: 2.20p per share (1995 – 2.00p)	**1,675**	1,502
	2,640	2,362

Note 12 (Loss) earnings per share

	1996	1995
FRS3 basis	**(5.42p)**	5.79p
Adjustment for exceptional items		
Sale of discontinued operations	**12.54p**	–
Before exceptional items	**7.12p**	5.79p

The FRS3 loss per share has been calculated on a loss, including loss on sale of discontinued operations, of £4,094,000 (1995 – earnings £4,338,000) and on the weighted average number of shares of 75,559,000 (1995 – 74,898,000). The adjusted earnings per share has been calculated on pre-exceptional, post-tax earnings of £5,381,000.

No figure for fully diluted earnings per share is shown because the difference from the basic earnings per share is less than 5%.

Note 13 Tangible fixed assets

	Land & buildings Freehold £000	Land & buildings Leasehold £000	Plant & equipment, fixtures & fittings & vehicles £000	Total £000
Group				
Cost				
At 1st January 1996	**73**	**6**	**5,775**	**5,854**
Foreign exchange movements	–	–	**8**	**8**
Additions	–	–	**1,590**	**1,590**
On acquisition of business	–	**14**	**191**	**205**
Disposals	–	–	**(362)**	**(362)**
On disposal of businesses	–	**(6)**	**(403)**	**(409)**
Transferred to merged business	–	–	**(474)**	**(474)**
At 31st December 1996	**73**	**14**	**6,325**	**6,412**
Depreciation				
At 1st January 1996	–	**4**	**3,934**	**3,938**
Foreign exchange movements	–	–	**7**	**7**
Eliminated on disposals	–	–	**(255)**	**(255)**
Eliminated on disposal of businesses	–	**(4)**	**(276)**	**(280)**
Eliminated on transfer to merged business	–	–	**(434)**	**(434)**
Charge for the year	–	**4**	**720**	**724**
At 31st December 1996	–	**4**	**3,696**	**3,700**
Net book value				
At 31st December 1996	**73**	**10**	**2,629**	**2,712**
At 31st December 1995	73	2	1,841	1,916

Note 13 Tangible fixed assets – continued	**Plant & equipment, fixtures & fittings & vehicles £000**	**Total £000**
Company		
Cost		
At 1st January 1996	**214**	**214**
Additions	**79**	**79**
Disposals	**(91)**	**(91)**
At 31st December 1996	**202**	**202**
Depreciation		
At 1st January 1996	**114**	**114**
Eliminated on disposals	**(45)**	**(45)**
Charge for the year	**40**	**40**
At 31st December 1996	**109**	**109**
Net book value		
At 31st December 1996	**93**	**93**
At 31st December 1995	100	100

Note 14 Capital commitments	**1996 £000**	1995 £000
Capital expenditure that has been contracted but not provided for	**62**	76

Note 15 Fixed asset investments

	Share of net liabilities of associate £000	Libra Loan Note £000	Scott-Grant Loan Note £000	Total £000
Group				
At 1st January 1996	–	969	–	969
Additions				
Share of net liabilities of associate at date of merger	(3,565)	–	–	(3,565)
Share of retained profit of associate	772	–	–	772
£1,374,000 loan note from purchaser of Scott-Grant	–	–	1,374	1,374
Increase in the carrying value of £1,500,000 loan note from purchaser of hospitals and nursing homes division	–	132	–	132
Part repayment of loan note from purchaser of Scott-Grant	–	–	(25)	(25)
Foreign exchange movements	309	–	–	309
At 31st December 1996	(2,484)	1,101	1,349	(34)

	Investment in subsidiaries £000	Libra Loan Note £000	Scott-Grant Loan Note £000	Total £000
Company				
At 1st January 1996	50,222	969	–	51,191
Additions				
Acquisition of Medic International Limited	709	–	–	709
Nestor-BNA Holdings Corp. – costs incurred in setting up associate	326	–	–	326
£1,374,000 loan note from purchaser of Scott-Grant	–	–	1,374	1,374
Increase in the carrying value of £1,500,000 loan note from purchaser of hospitals and nursing homes division	–	132	–	132
Disposals				
Sale of UK Specialist Personnel businesses	(16,315)	–	–	(16,315)
Part repayment of loan note from purchaser of Scott-Grant	–	–	(25)	(25)
Foreign exchange movements	113	–	–	113
At 31st December 1996	35,055	1,101	1,349	37,505

Except where stated, the following principal undertakings are wholly-owned, operate in the United Kingdom and are registered in England and Wales.

Undertaking	Business
British Nursing Co-operations Limited* (trading as BNA) British Nursing Association Healthcare Services Limited*	UK healthcare services and personnel
Nestor Medical Duty Services Limited	UK doctors' duty services
Medic International Limited	UK locum doctors and other medical personnel and services
Cross Country Staffing*† (United States of America)	USA healthcare personnel

*The interest of Nestor-BNA plc in these undertakings is held through intermediate holding companies.
†Nestor-BNA has a 34% interest after allowing for the expected dilution arising from an equity scheme for the management of Cross Country Staffing.

Note 15 Fixed asset investments – continued

Hewitson-Walker and Scott-Grant

On 17th May 1996 the Company sold its investment in the entire share capital of the Hewitson-Walker and Scott-Grant companies for a total cash consideration of £5,727,000 and a £1,374,000 secured loan note from the purchaser of Scott-Grant. The loan note bears interest at 7% per annum and is repayable over the next four years as follows:

	£000
Repaid 17th November 1996	25
Repayable 17th May 1997	228
Repayable 17th May 1998	304
Repayable 17th May 1999	431
Repayable 17th May 2000	386
	1,374

In view of the interest charged and the repayment terms and security given, the loan was valued at face value at the date of sale. The loss arising from the disposal of these businesses is set out in Note 7.

MRA

On 1st July 1996, the Group merged its USA Healthcare business, MRA, with W.R. Grace's subsidiary CCHP, Inc. to create Cross Country Staffing. The Company retains, through Nestor-BNA Holdings Corp. and its subsidiaries, a 34% interest in the merged business after allowing for the expected dilution arising from an equity scheme for the management of Cross Country Staffing, and accounts for its results as an associated undertaking.

The fair value of assets of the merged business at the date of merger and at the year end were as follows:

	at 30 Jun 1996 $000	at 30 Jun 1996 £000 at $1.53	at 31 Dec 1996 $000	at 31 Dec 1996 £000 at $1.69
Tangible fixed assets	388	254	347	205
Debtors and prepayments	22,331	14,624	24,215	14,311
Creditors and accruals	(4,631)	(3,033)	(6,644)	(3,927)
Net operating assets	18,088	11,845	17,918	10,589
Borrowings	(34,100)	(22,331)	(30,280)	(17,896)
Net tangible liabilities of associate	(16,012)	(10,486)	(12,362)	(7,307)
Group's share of total net liabilities (34%)	(5,444)	(3,565)	(4,203)	(2,484)

Book value of the operating assets contributed by MRA and the goodwill arising were as follows:

	at 30 Jun 1996 $000	at 30 Jun 1996 £000 at $1.53
Fixed assets	61	40
Debtors and prepayments	4,592	3,007
Creditors and accruals	(512)	(335)
Total book value of operating assets contributed	4,141	2,712
Fair value of share of underlying net liabilities at date of merger	5,444	3,565
Costs of merger	828	542
Goodwill written off (see Note 23)	10,413	6,819

The borrowings assumed by the merged business totalling $34,100,000 are guaranteed by W.R. Grace and are non-recourse to the Company or its subsidiaries.

Note 15 Fixed asset investments – continued

Medic International

On 22nd July 1996 the Company purchased the entire share capital of Medic International Limited for £632,000 and agreed to repay certain outstanding loans totalling £368,000.
The cash outlay was as follows:

	Consideration for shares £000	Repayment of outstanding loans £000	Total £000
Paid on completion	**533**	**67**	**600**
Paid on 22nd January 1997	**99**	**301**	**400**
Total paid	**632**	**368**	**1,000**

The assets and liabilities acquired and the goodwill arising are as follows:

	Fair value balance sheet £000
Fixed assets	**205**
Current assets and liabilities	
Debtors and prepayments	**1,023**
Creditors and accruals	**(589)**
Bank overdraft	**(476)**
Net current liabilities	**(42)**
Net assets acquired	**163**
Purchase consideration, including settlement of certain outstanding loans	**1,000**
Costs of acquisition	**77**
Total cost	**1,077**
Goodwill arising (see Note 23)	**914**

Cash flows in respect of purchase of business	
Total cost	**1,077**
Accrued expenses	**(10)**
Overdraft at date of acquisition	**476**
	1,543
Paid on 22nd January 1997	**(400)**
Total cash flows in the year in respect of purchase of business	**1,143**

There was no difference between the values of the net assets included in the acquired balance sheet and the fair value balance sheet other than capitalised goodwill which was written off to reserves as a prior year adjustment in the books of Medic International to conform to the Group's accounting policy.

Other

On 3rd May 1996 the goodwill of TMS, an unincorporated healthcare agency, was purchased by British Nursing Co-operations Limited for £29,000.

Note 16 Stocks

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Consumables and goods for resale	–	45	–	–

Note 17 Debtors

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Trade debtors	**13,342**	15,166	–	–
Amounts owed by Group companies	–	–	**1,561**	2,855
Dividends receivable from Group companies	–	–	**4,636**	3,924
Other debtors	**27**	189	**19**	18
Prepayments and accrued income	**1,252**	880	**75**	46
Corporation tax	–	–	**1,120**	815
	14,621	16,235	**7,411**	7,658

Note 18 Creditors – amounts falling due within one year

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Bank overdraft	**298**	952	–	–
Loan other than from banks	–	2,189	–	2,189
Trade creditors	**3,426**	1,848	–	–
Amounts owed to Group companies	–	–	**1,058**	3,679
Dividends proposed	**1,675**	1,502	**1,675**	1,502
Corporation tax	**1,786**	1,795	**241**	215
Other tax and social security	**1,145**	1,572	**10**	17
Other creditors	**1,179**	1,455	**79**	65
Accruals and deferred income	**1,551**	1,521	**1,113**	547
	11,060	12,834	**4,176**	8,214

Note 19 Creditors – amounts falling due after more than one year

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Loan other than from banks	–	2,189	–	2,189
Other creditors	**114**	–	–	–
	114	2,189	–	2,189

Note 20 Net borrowings (cash)

	Interest rates	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Unsecured					
Bank overdraft	**variable**	**298**	952	**–**	–
Loan other than from banks (1995 – $6.8 million)	**10.37%**	**–**	4,378	**–**	4,378
Total borrowings		**298**	5,330	**–**	4,378
Cash at bank and in hand		**(893)**	(591)	**(4,851)**	(5,036)
Net (cash) borrowings		**(595)**	4,739	**(4,851)**	(658)

Net borrowings (cash) of the Group are summarised as follows:	Repayable within 1 year £000	Repayable between 2&5 years £000	Total £000
Unsecured			
Bank overdraft	**298**	**–**	**298**
Total borrowings	**298**	**–**	**298**
Cash at bank and in hand	**(893)**	**–**	**(893)**
At 31st December 1996	**(595)**	**–**	**(595)**
At 31st December 1995	2,550	2,189	4,739

Note 21 Provision for liabilities and charges

	1996 £000	1995 £000
Deferred taxation provision		
At 1st January 1996	**83**	145
Provided (utilised) during the year	**34**	(62)
At 31st December 1996	**117**	83
Full potential liability	**117**	83

The deferred taxation provision arises from accelerated depreciation allowances.

Note 22 Share capital

	Authorised Number	Authorised £000	Allotted, issued and fully paid Number	Allotted, issued and fully paid £000
Ordinary shares of 10p each				
At 1st January 1996	**96,000,000**	**9,600**	**75,074,358**	**7,507**
Issued during the year following exercise of options			**1,049,719**	**105**
At 31st December 1996	**96,000,000**	**9,600**	**76,124,077**	**7,612**

Note 23 Share premium account and reserves

	Share premium account £000	Acquisition reserve £000	Foreign exchange reserve £000	Profit & loss account £000	Total £000
Group					
At 1st January 1996	1,306	(14,106)	646	9,297	(2,857)
Foreign exchange movements	–	–	239	–	239
Issue of shares following exercise of options	617	–	–	–	617
Goodwill written off on acquisitions	–	(943)	–	–	(943)
Goodwill written off on merger of USA Healthcare business	–	(6,819)	–	–	(6,819)
Goodwill written back on disposal of businesses	–	15,786	–	–	15,786
Retained for the year	–	–	–	(6,734)	(6,734)
At 31st December 1996	1,923	(6,082)	885	2,563	(711)

Goodwill written off to date against reserves in respect of subsidiaries and associates still held by the Group	£000
As at 1st January 1996	56,892
Acquisitions	
Medic International Limited	914
Other	29
Disposal of UK Specialist Personnel businesses	(15,786)
Merger of USA Healthcare business	6,819
As at 31 December 1996	48,868

	Share premium account £000	Other reserves £000	Foreign exchange reserve £000	Profit & loss account £000	Total £000
Company					
At 1st January 1996	1,306	36,442	2,152	6,175	46,075
Loss for the year	–	–	–	(5,980)	(5,980)
Issue of shares following exercise of options	617	–	–	–	617
Foreign exchange movements	–	–	2	(2)	–
Transfer of reserves arising on disposal of businesses	–	(12,846)	–	12,846	–
Dividends	–	–	–	(2,640)	(2,640)
At 31st December 1996	1,923	23,596	2,154	10,399	38,072

Note 24 Cash flow statement

	1996 £000	1995 £000
Reconciliation of operating profit to net cash inflow from operations		
Operating profit	**6,764**	6,672
Depreciation charges	**724**	820
Net profit on sale of tangible fixed assets included in operating profit	**(10)**	(6)
Decrease in stocks	**19**	17
Increase in debtors	**(2,442)**	(1,187)
Increase in creditors	**1,171**	1,064
Net cash inflow from operations	**6,226**	7,380

	Loans £000	Cash less overdrafts £000	Total £000
Analysis of movements in loans and cash balances			
At 1st January 1995	(6,517)	(701)	(7,218)
Decrease in loans and net cash inflow	2,179	320	2,499
Foreign exchange movements	(40)	20	(20)
At 1st January 1996	**(4,378)**	**(361)**	**(4,739)**
Decrease in loans and net cash inflow	**4,491**	**952**	**5,443**
Foreign exchange movements	**(113)**	**4**	**(109)**
At 31st December 1996	**–**	**595**	**595**

Note 25 Other financial commitments

The Group rents numerous premises operated under leases whose terms, conditions and expiry dates vary considerably. The aggregate annual rental costs of these premises amounted to £1,572,000 in 1996 (1995 – £1,478,000).

The net commitment in respect of operating leases in 1997 is as follows:

	Land & buildings occupied by Group £000	Land & buildings not occupied by Group £000	Total £000
For leases expiring			
within one year	**338**	**33**	**371**
between two and five years	**269**	**–**	**269**
beyond five years	**222**	**460**	**682**
	829	**493**	**1,322**

Note 26 Pension costs

The Company operates a funded pension scheme providing benefits based on final pensionable salary. The scheme is administered by Trustees separately from the affairs of the Group and is contracted out of the additional component of the State Pension Scheme.

Watson Wyatt Partners (formerly R Watson & Sons, Consulting Actuaries) carried out an actuarial valuation of the scheme as at 30th April 1995. On the actuarial basis used, as at that date the assessed value of the assets was 91% of the capitalised value of the accrued benefits, allowing for expected future increases in pensionable earnings to Normal Pension Age, treating the scheme as an on-going entity.

The market value of the investments held in the scheme as at the valuation date was taken to be £4,957,000. In addition there were pensions in payment secured by the purchase of annuities.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of investment return on future net cash flow, the rate at which dividends on UK equities grow and the rate of increase in pensionable earnings. These rates were set relative to an assumed long-term rate of price inflation of 4% per annum.

The assumed future rate of investment return, used to discount projected income and outgoing benefits, was a real rate of 4.5% per annum relative to price inflation. For the purposes of the valuation, the investment assets were assumed to be invested wholly in UK equities and dividends were assumed, over the long-term future, to grow in line with price inflation. Pensionable earnings were assumed to increase at a rate of 3% per annum ahead of price inflation.

The employer's contribution rate is calculated using the projected unit method and the shortfall of assets as at 30th April 1995 is amortised as a constant percentage of members' pensionable earnings over the average expected working lifetime of the active members.

The pension charge for the year was £392,000 (1995 - £296,000).

Note 27 Share option schemes

At 31st December 1996 options to subscribe for 6,455,227 ordinary shares had been granted under the Company's three employee share option schemes. Options that have not lapsed are exercisable, subject to the rules of the schemes, on specified dates until November 2006, at prices between 45p per share and 145p per share.

At 31st December 1996 options to subscribe for 777,598 ordinary shares had been granted under the Nestor-BNA Savings Related Share Option Scheme during 1991 and 1995. Subject to the rules of the scheme, options that have not lapsed are exercisable for up to six months, from November 1996 at 56p per share or from November 2000 at 60p per share.

	1992 £000	1993 £000	1994 £000	1995 £000	**1996 £000**
Group profit and loss account					
Turnover					
Continuing operations – ongoing	74,487	88,777	99,524	114,697	**120,802**
Continuing operations – acquisition	–	–	–	–	**3,772**
Discontinued operations	21,827	21,769	18,211	14,419	**5,442**
	96,314	110,546	117,735	129,116	**130,016**
Operating profit and share of profit of associate					
Continuing operations – ongoing	3,620	4,229	3,580	5,512	**7,055**
Continuing operations – acquisition	–	–	–	–	**155**
Discontinued operations	1,924	1,911	1,545	1,160	**326**
	5,544	6,140	5,125	6,672	**7,536**
Exceptional items	(2,534)	–	(4,209)	–	**(9,623)**
Operating profit after exceptional items	3,010	6,140	916	6,672	**(2,087)**
Net interest	(1,304)	(1,625)	(997)	(360)	**64**
Profit (loss) before taxation	1,706	4,515	(81)	6,312	**(2,023)**
Taxation	(1,025)	(1,174)	(1,459)	(1,974)	**(2,071)**
Profit (loss) after taxation	681	3,341	(1,540)	4,338	**(4,094)**
Earnings (loss) per share – FRS3 basis	0.91p	4.46p	(2.06p)	5.79p	**(5.42p)**
Earnings per share – before exceptional items	4.30p	4.46p	3.57p	5.79p	**7.12p**
Dividends per share	3.15p	3.15p	3.15p	3.15p	**3.47p**
Group balance sheet					
Tangible fixed assets	18,294	18,388	2,007	1,916	**2,712**
Investments	–	–	856	969	**(34)**
Total fixed assets	18,294	18,388	2,863	2,885	**2,678**
Current assets	12,616	16,088	15,094	16,280	**14,621**
Current liabilities and provisions	(10,329)	(10,495)	(8,183)	(9,776)	**(10,993)**
Net operating assets	20,581	23,981	9,774	9,389	**6,306**
Net cash (borrowings)	(13,228)	(18,325)	(7,218)	(4,739)	**595**
Net assets	7,353	5,656	2,556	4,650	**6,901**
Share capital	7,484	7,484	7,484	7,507	**7,612**
Share premium account	1,205	1,205	1,205	1,306	**1,923**
Acquisition reserve	(12,533)	(14,719)	(14,106)	(14,106)	**(6,082)**
Other reserves	11,197	11,686	7,973	9,943	**3,448**
Equity shareholders' funds	7,353	5,656	2,556	4,650	**6,901**
Group cash flow statement					
Net cash inflow from operating activities	7,735	5,171	4,605	7,380	**6,226**
Interest paid	(1,333)	(1,467)	(1,237)	(516)	**(136)**
Tax paid	(1,439)	(882)	(1,264)	(1,409)	**(1,818)**
Capital expenditure	(1,071)	(2,644)	(1,096)	(723)	**(1,473)**
Acquisitions and disposals	24	(2,784)	12,119	–	**4,389**
Equity dividends paid	(2,357)	(2,357)	(2,357)	(2,357)	**(2,467)**
Issue of shares	–	–	–	124	**722**
Net cash flow before debt financing	1,559	(4,963)	10,770	2,499	**5,443**
Decrease (increase) in loans	–	(1,148)	10,497	2,179	**4,491**
Increase (decrease) in cash	1,559	(3,815)	273	320	**952**
	1,559	(4,963)	10,770	2,499	**5,443**

Financial calendar

Announcement of 1997 results

For the half-year	September 1997
For the year	March 1998
Annual Report and Accounts circulated	April 1998
Annual General Meeting	May 1998

Dividends

Proposed final dividend 1996	
Announcement	24th March 1997
Ex-dividend	1st April 1997
Record date	7th April 1997
Payment date	23rd May 1997
Interim dividend 1997 (provisional)	
Announcement	September 1997
Payment	October 1997

Analysis of shareholdings

At the date of this report the Company has 912 shareholders who hold over 76 million ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 5,000	630	69.1	725,919	0.9
5,001 – 50,000	172	18.9	2,709,056	3.6
50,001 – 100,000	22	2.4	1,764,524	2.3
100,001 and over	88	9.6	70,961,600	93.2
	912	100.0	76,161,099	100.0

Type of shareholder				
Individuals	635	69.6	3,393,026	4.5
Nominee companies*	229	25.1	67,935,963	89.2
Other corporate and public bodies	42	4.6	4,077,319	5.3
Trust companies	6	0.7	754,791	1.0
	912	100.0	76,161,099	100.0

*This category includes the beneficiaries of pension funds, unit trusts, life assurance companies and investment trusts.

NOTICE IS HEREBY GIVEN, that the eleventh Annual General Meeting of the Company will be held at The Britannia Inter-Continental Hotel, Grosvenor Square, London W1A 3AN on 15th May 1997 at 12 noon for the following purposes:

Ordinary business

1. To receive and consider the financial statements, together with the reports of the directors and auditors, for the year ended 31st December 1996.
2. To declare a final dividend.
3. To re-elect J A S Jewitt as a director.
4. To re-elect F J A Howard as a director.
5. To re-appoint Coopers & Lybrand as the auditors, to act as such until the conclusion of the next Annual General Meeting and to authorise the directors to fix the auditors' remuneration.

Special business

6. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

   That, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the authority conferred by Ordinary Resolution numbered 6 at the Annual General Meeting of the Company held on 17th May 1995, as if subsection (1) of Section 89 of that Act did not apply to any such allotment, provided that this power shall be limited to:

   (i) the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders on the register of members at such record date or dates as the directors may determine for the purpose of the issue where the equity securities respectively attributable to the interests of all such holders of ordinary shares are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them at any such record date or dates so determined, provided that the directors may make such arrangements or exclusions as they consider necessary or expedient in respect of fractional entitlements or legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange;

   (ii) the allotment of equity securities pursuant to the terms of any share scheme for employees approved by shareholders in general meeting; and

   (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) or (ii) above) of equity securities up to an aggregate nominal amount of £380,000;

   and shall expire on the date of the next Annual General Meeting of the Company after the date of passing of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that this power has expired.

7. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution;

   That, pursuant to Article 44 of the Company's Articles of Association, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company provided that:

   (i) the maximum number of ordinary shares hereby authorised to be purchased is 7,600,000 representing approximately 10 per cent of the issued ordinary share capital at 24th March 1997;

   (ii) the minimum price which may be paid for each ordinary share is 10p per share which amount shall be exclusive of expenses;

   (iii) the maximum price which may be paid for each ordinary share is, in respect of an ordinary share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 105 per cent of the average of the mid-market quotations for an ordinary share of the Company as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased;

(iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing this resolution, unless such authority is renewed prior to such time; and

(v) the Company may conclude a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired.

8. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

That, the regulations contained in the printed document produced to the meeting and signed by the Chairman for the purposes of identification be adopted as the Articles of Association of the Company, in substitution for the existing Articles of Association.

9. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

That, the name of the Company be changed to Nestor Healthcare Group plc on 14th June 1997.

By order of the Board

J Wood *Secretary*

Registered office:
The Colonnades
Beaconsfield Close
Hatfield
Hertfordshire AL10 8YD

24th March 1997

1. A form of proxy is enclosed with this notice. A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. To be valid, proxies must be lodged with the Registrar of the Company no later than 48 hours before the time appointed for the Meeting.

2. Copies of service agreements between the Company and the directors and of the proposed new Articles of Association of the Company will be available for inspection at the registered office of the Company during normal business hours on each business day from the date of this notice until the date of the Meeting and at the place of the Meeting from 15 minutes before and until the end of the Meeting.

Summary of changes to the existing Articles of Association

The principal differences between the Company's existing Articles of Association and the proposed new Articles of Association are summarised below. The number identifying each Article, unless otherwise indicated, corresponds to the numbering used in the proposed new Articles which will be available for inspection before and during the Annual General Meeting.

CREST

Amendment of the existing Articles of Association is to permit shares in the Company to be held and transferred in uncertificated form in accordance with the Uncertificated Securities Regulations 1995 (the "Regulations") which bring CREST into operation. This has resulted in proposals for changing:

Article 9 (no separate class of shares) to confirm that certificated and uncertificated shares are not treated as separate classes of shares.

Article 12 (no variation of rights) to ensure that the holding and transfer of uncertificated shares shall not constitute a variation of the rights of such shares.

Article 13 (share certificates) to enable the Company to dispense with the need to issue share certificates in the case of uncertificated shares.

Articles 16 and **26** (liens on and forfeiture of shares) to enable the Company to sell uncertificated and certificated shares on which it has a lien and which the Company is entitled to forfeit as a result of any call remaining unpaid.

Articles 30 – 35 (transfer of shares) to provide for the transfer of shares in the Company in uncertificated form in accordance with the Regulations. The limited circumstances for refusing registration of a transfer permitted under the Regulations are also applied to both certificated and uncertificated shares.

Article 39 (transmission of shares) to provide for the transmission of shares in certificated and uncertificated form.

Article 44 (alteration of capital) to enable the Company to sell uncertificated and certificated shares representing fractions of shares arising on a consolidation.

Article 70 (disclosure of interests in shares) to delete the Company's power to refuse to transfer any default shares representing at least 0.25% of the issued shares of that class in order to conform to the requirements of the Regulations relating to the transfer of shares in the Company.

Article 132 (payment of dividends) to permit dividends in respect of certificated and uncertificated shares to be paid through the facilities of CREST (in addition to payment by cheque, warrant, direct debit, bank or other funds transfer system) and to enable such payments to represent a good discharge to the Company.

Article 147 (untraced shareholders) to permit the Company to sell the shares of untraced shareholders whether the shares are in certificated or uncertificated form.

Changes required by The Listing Rules

The following changes to the existing Articles of Association are being proposed to reflect recent amendments made to The Listing Rules of the London Stock Exchange.

Article 14 (share certificates) to permit the Company to claim exceptional out of pocket expenses incurred in issuing new certificates to replace those lost or destroyed.

Article 32 (transfer of shares) to ensure that the Board may only refuse to register the transfer of partly-paid shares if such refusal would not prevent dealings from taking place on an open and proper basis.

Article 70 (Section 212 notices) to limit the sanctions which may be imposed by the Company on a member in the event of failure to comply with a statutory notice requesting information about interests in shares under Section 212 of the Companies Act 1985.

Article 116 (proceedings of directors) to conform the provisions relating to when directors can vote at Board meetings in respect of matters in which they have an interest with the most recent changes to The Listing Rules.

Article 134 (unclaimed dividends) to conform the provisions relating to when an unclaimed dividend can be forfeited and reverts to the Company with the most recent changes to The Listing Rules.

Articles 144 and 145 (notices given by advertisements) to conform the requirements in relation to the giving of notices by advertisement with the most recent changes to The Listing Rules.

In addition, it is proposed that the following Article be deleted:

Article 115 of the existing Articles of Association, which gives the Company power by ordinary resolution to suspend or relax any provision of the Articles prohibiting a director from voting at a meeting of the Board or ratify a transaction not duly authorised by reason of contravention of that provision.

Other Changes

The following changes are proposed to bring the Articles into line with current best practice:

Article 51 (convening general meetings in more than one place) to permit the directors to make arrangements for simultaneous attendance at more than one place and to permit them to control the level of attendance.

Article 58 (validity of proxy forms at adjourned meeting) to enable a member to execute a valid form of proxy for an adjourned meeting notwithstanding that the form is presented on shorter notice than is required by the Articles.

Article 88 (delegation to sub-committees) to widen the Board's ability to delegate to sub-committees as well as committees.

Article 110 (directors' meetings) to provide that notice of directors' meetings can be given by electronic means (e.g. electronic mail and voicemail) as well as in writing, personally or by word of mouth.

Article 123 (the seal) to enable the sealing of any documents to be effected by mechanical or other means.

In addition, it is proposed that the following Article be deleted:

Article 99 of the existing Articles of Association, which exempts the chief executive or a managing director from the requirement to retire by rotation.